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Long Report

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SCOTTISH & YORK

Annual Report, 1966



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BOARD OF DIRECTORS

S. F. CHAPMAN
K. H. DOYLE
A. D. McEWEN
S. L. McCABE
K. R. THOMSON
J. A. TORY

OFFICERS

K. R. THOMSON, Chairman of the Board
K. H. DOYLE, President
S. F. CHAPMAN, C.A., Secretary-Treasurer
S. L. McCABE, Vice-President

TRANSFER AGENTS

Montreal Trust Company

AUDITORS

Thorne, Mulholland, Howson & McPherson

BANK

The Royal Bank of Canada

EXECUTIVE OFFICE

100 University Avenue, Toronto, Canada

REPORT OF THE BOARD OF DIRECTORS OF SCOTTISH & YORK HOLDINGS LIMITED

It is a pleasure to submit, on behalf of the Directors, the annual report of your Company and its subsidiaries for the year ended December 31, 1966.

Net earnings of your Company and its subsidiaries amounted to \$751,000 for the year or \$1.50 per share compared with \$491,000 or 98¢ per share for the previous year. Taxes on income for the year were reduced by 49¢ per share as a result of the application of previous years' losses of a subsidiary company compared with a reduction of 35¢ per share for the previous year. All prior losses of this subsidiary company have now been written off.

Gross premiums written through the combined operations of Scottish & York Insurance Co. Limited and Victoria Insurance Company of Canada amounted to \$6,580,000 compared with \$4,415,000 for 1965. You will note from the consolidated balance sheet that the deferred revenue account increased during the year from \$403,000 to \$921,000. This account consists principally of unearned premiums. All commission and handling expenses with respect to these unearned premiums have been fully expensed in calculating earnings for the current year.

It should also be noted that a new provision in the amount of \$115,000 has been established. This reserve is for unreported losses with respect to assumed reinsurance. It is included in the provision for outstanding claims and has been deducted from the earnings for the current year. We have found in the past that other companies which are reinsured by us have not reserved sufficient amounts to cover their outstanding claims. In 1965 our assumed reinsurance account was deficient. This amount has been deducted from retained earnings in the attached consolidated statement of retained earnings. It is felt that the new reserve will be more than adequate to cover any deficiency for 1966.

At a directors' meeting held last December your Board approved a modest increase in dividends. The rate was increased from 5½¢ to 6¢ per share per quarter commencing with the dividend paid on January 15, 1967. Based on the 1966 results your Directors feel that a further increase is justified and we propose to commence the payment of a dividend of 9¢ per share quarterly beginning with the quarterly dividend to be declared payable July 15, 1967.

Enclosed with this report is a notice of the annual meeting of the shareholders to be held on May 10, 1967.

On behalf of the Directors and personally I wish to express my sincere appreciation and thanks to the officers and staff of your Company for their efforts throughout the year. I should also like to take this opportunity to thank the many shareholders who have taken the time and effort to express their satisfaction with the operations of your Company. We are confident that your Company will continue to grow throughout Canada's Centennial Year.

Submitted on behalf of the Board of Directors

K. H. DOYLE, President

AUDITORS' REPORT

To the Shareholders of Scottish & York Holdings Limited

We have examined the consolidated balance sheet of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1966 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Mulholland, Howson & McPherson
CHARTERED ACCOUNTANTS

Toronto, Canada
April 3, 1967.

SCOTTISH & YOR

Incorporated under the Companies Act 1947

AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1965)

ASSETS

CURRENT ASSETS

	1966	1965
Cash.....	1,187,334	458,501
Marketable securities:		
Bonds at cost or amortized cost and accrued interest (market value 1966, \$1,827,352; 1965, \$1,570,112).	1,930,723	1,645,443
Stocks at cost (market value 1966, \$190,438; 1965, \$122,067).....	203,519	121,110
Accounts receivable, less allowance for doubtful accounts.....	1,308,128	717,259
Prepaid expenses.....	5,560	7,260
	<u>4,635,264</u>	<u>2,949,573</u>

FIXED ASSETS

Furniture, fixtures and automobiles, at cost.....	48,934	48,910
Less accumulated depreciation.....	28,859	24,350
	<u>20,075</u>	<u>24,560</u>

OTHER ASSETS

Investment, at cost.....	1,500	1,500
Special refundable tax.....	24,856	
Agencies, agreements and contracts, at cost.....	110,116	110,116
Premium paid on acquisition of shares of subsidiary companies (note 1).....	65,037	65,037
	<u>201,509</u>	<u>176,653</u>
	<u>\$4,856,848</u>	<u>\$3,150,786</u>

Approved on behalf of the Board:

K. H. DOYLE,
Director

S. F. CHAPMAN,
Director

OLDINGS LIMITED

the laws of Ontario

RY COMPANIES**HEET—DECEMBER 31, 1966**

res for 1965)

LIABILITIES**CURRENT LIABILITIES**

	1966	1965
Bank loan.....		75,000
Accounts payable and accrued liabilities.....	507,673	524,640
Customers' deposits.....	30,500	30,500
Dividends payable.....	30,000	25,000
Provision for outstanding claims.....	1,333,249	867,932
Income, premium and special refundable taxes payable.....	322,533	96,019
	<u>2,223,955</u>	<u>1,619,091</u>

DEFERRED REVENUE.....	921,584	403,014
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**INTEREST OF MINORITY COMMON SHARE-
HOLDERS OF SUBSIDIARY COMPANIES.....**

	19,639	14,400
	<u>3,165,178</u>	<u>2,036,505</u>

SHAREHOLDERS' EQUITY**CAPITAL STOCK:**

Authorized:

10,000 first preference shares, par value \$50 each, issuable
in series

2,000,000 common shares without par value

Issued:

500,000 common shares (note 2).....	501,000	501,000
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RETAINED EARNINGS.....	1,190,670	613,281
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	<u>1,691,670</u>	<u>1,114,281</u>
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	<u>\$4,856,848</u>	<u>\$3,150,786</u>
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The accompanying notes are an integral part of this statement.

SCOTTISH & YORK HOLDINGS LIMITED
and its subsidiary companies

NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 1966

1. Premium paid on acquisition of shares of subsidiary companies:

Premium paid on acquisition of shares of Central Canada Insurance Service Limited.....	143,628
Less excess of book value of assets purchased over purchase price of shares of Victoria Insurance Company of Canada.....	78,591
	<u>\$ 65,037</u>

2. Capital stock:

During the year 250,000 issued common shares were subdivided two for one.

3. Taxes on income:

Taxes on income for the current year have been reduced by \$243,500 as a result of the application of previous years' losses in a subsidiary company against the current years' income.

SCOTTISH & YORK HOLDINGS LIMITED
and its subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Income before undernoted items.....	1,184,329	655,822
Provision for unreported losses with respect to assumed reinsurance.....	115,000	
Directors' fees.....	6,000	6,000
Depreciation.....	5,915	7,600
	<u>126,915</u>	<u>13,600</u>
	1,057,414	642,222
Taxes on income (note 3).....	301,081	147,411
	<u>756,333</u>	<u>494,811</u>
Interest of minority common shareholders of subsidiary companies.....	5,239	3,154
NET INCOME FOR YEAR.....	<u><u>\$751,094</u></u>	<u><u>\$491,657</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Retained earnings at beginning of year.....	613,281	243,610
Add net income for year.....	751,094	491,657
	<u>1,364,375</u>	<u>735,267</u>
Deduct:		
Dividends on common shares.....	110,000	99,986
Adjustment of prior years' claims principally with respect to assumed reinsurance.....	63,705	
Unamortized commission on issue of first preference shares.....		22,000
	<u>173,705</u>	<u>121,986</u>
RETAINED EARNINGS AT END OF YEAR.....	<u><u>\$1,190,670</u></u>	<u><u>\$613,281</u></u>



